

They Said It

When an Owner Retires

A business-saving idea: Give keys to employees

PROBLEM: Finding a buyer can mean turning to outsiders — and risking a shutdown

SOLUTION: Ownership by workers can save jobs, keep small communities vibrant



Tim Kruger works on a waterer unit at Riche Industries in Concord. The company of more than 60 workers was sold in 2004 to its employees, and it's thriving today. [enr.com/HOU/ASPH/REG/ST/12](#)

The Branstad administration wants to facilitate employee purchase plans, but the idea isn't without its critics.

By DONNELLE ELLER
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At 76, Cliff Wilson was ready to sell Riche Industries, the Concord, Ia., livestock equipment business that his father had purchased in 1983 and that they had grown together.

"I would have loved to keep the business myself, but I didn't have the finances," said Wilson's son-in-law Leon Yantis.

The buyers who had money were interested only in the assets and would have closed the manufacturing plant in Concord, a town of about 1,100 residents

north of Marshalltown. "All the employees would have been out of work," Yantis said.

That's when Yantis and the company's other employees decided to buy the company, using an employee stock ownership plan, or ESOP. Eight years later, the fully employee-owned company is now thriving with about 65 workers.

It's a story that's playing out across Iowa, said Dale Durbin, the state's economic development director. [enr.com](#)

See OWNERS, Page 7A

ESOP: WHAT'S THE STORY?

What: ESOP stands for employee stock ownership plan, an arrangement that allows workers to become shareholders in a business.

Why do it: Business owners nearing retirement can use ESOPs to sell their companies to employees.

The advantages: ESOPs are a way to maintain local ownership of businesses and enable employees to share in the profits.

Numbers: Iowa had about 200 ESOP companies in 2011; nationally, there were 18,900. [enr.com](#)

Changing the law: Gov. Terry Branstad has proposed exempting business owners from capital gains tax when they sell to an ESOP; he also proposes creating a \$1 million fund to provide technical grants to companies exploring the option.

"I am proposing legislation that will encourage the formation of Employee Stock Option Plans to encourage the sale of these local businesses to the very employees who have made that company a profitable success. Our plan will encourage more Iowans to own a stake in their company, to reap a greater share of the fruits of their own labor, and to help protect the quality of life in their local community." – Gov. Branstad

"The governor deserves applause for this impressive set of recommendations. The Messenger urges lawmakers to give these proposals careful consideration. It may be that some will need revision. It is clear, however, that this reform package has been carefully crafted. It provides an excellent framework for a productive education reform debate." – Fort Dodge Messenger

"For more than three decades, lawmakers have been paying lip service to addressing the unfair way Iowa bases commercial property tax rates on 100 percent of assessed value while it bases residential and agricultural property tax rates on a much lesser percentage of valuation." –Iowa City Press-Citizen

Branstad-Reynolds take commercial property tax plan on the road



Iowa Governor Terry E. Branstad talks to members of the Bettendorf Rotary Club as Lt. Governor Kim Reynolds talks to former Iowa state senator Maggie Tinsman on Tuesday, Jan. 17, 2012, at the Fortune Garden Restaurant in Bettendorf. (Kevin E. Schmidt/QUAD-CITY TIMES)

Iowa Gov. Terry Branstad brought his plan to dramatically cut commercial property taxes to the Quad-Cities on Tuesday, arguing small businesses are being hurt by the current system, and he accused local government critics of trying to preserve what he described as a looming windfall of property tax increase.

"It's really the small startup businesses that we're hurting," he said.

Local governments are wary of the tax plan as they're struggling this year to balance their budgets.

Branstad, however, said local officials see a big tax windfall coming their way because of increased productivity in the agriculture sector in recent years and they don't want to lose it.

"They see this huge \$2.3 billion increase in property taxes coming over the next eight years, and they don't want to see anything prevent them from getting this windfall. I think that's wrong. I don't think that's fair to the taxpayers,"

Currently, the full value of a commercial property is subject to property taxes. Only about a half of a residential property's value is subject to property tax. That has led to complaints for years that businesses are treated inequitably.

-The Quad City Times